

Message Text

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73

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 SP-03 STR-08 TRSE-00 SWF-02

CIEP-02 OMB-01 AEC-11 AID-20 CEA-02 DODE-00 FEA-02

FPC-01 H-03 INT-08 L-03 NSC-07 PM-07 SAM-01 SCI-06

SS-20 IGA-02 DRC-01 /173 W
----- 061245

R 281436Z MAY 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 2536

UNCLAS TEL AVIV 2848

E.O.11652: N/A

TAGS: EAGR, EIND, IS

SUBJECT: ISRAEL FERTILIZER SITUATION

REF: (A) STATE 95838; (B) TEL AVIV IS-4010, APRIL 8, 1974

(C) TEL AVIV 2827, MAY 24

1. ISRAEL FERTILIZER INDUSTRY CONCENTRATES ON PHOSPHATES AND POTASH, RAW MATERIALS FOR WHICH ARE AVAILABLE IN ISRAEL. OF NITROGENOUS FERTILIZERS, ISRAEL PRODUCES ANUALLY ABOUT 100,000 METRIC TONS OF POTASSIUM NITRATE (ALMOST ALL FOR EXPORT), AND 30,000 METRIC TONS OF UREA (ALMOST ENTIRELY FOR USE IN ISRAEL). CONSTRAINT IN INCREASING PRODUCTION OF NITROGEN FERTILIZERS IS AVAILABILITY OF AMMONIA, OF WHICH PRODUCTION IS NOW ABOUT 100,000 METRIC TONS ANNUALLY. ISRAEL CHEMICALS, LTD. (THE ROOF ORGANIZATION FOR MOST CHEMICAL COMPANIES), INTENDS TO EXPAND AMMONIA PRODUCTION BY ADDITIONAL 120,000 MT BY 1978 AT PRESENT PLANT NEAR HAIFA; AND TENTATIVE LY PLANS TO BUILD NE 200,000 MT FACILITY IN NEGEV TO GO ON STREAM IN 1982.

2. DECISION ON LATTER, HOWEVER, WILL ONLY BE TAKNE IN 1975 OR
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1976 AFTER SEEING WHAT HAPPENS TO PETROLEUM PRICES. ISRAEL CHEMICALS

LTD. BELIEVES ISRAEL DOES NOT HAVE ECONOMIC ADVANTAGE IN PRODUCING AMMONIA, AND HENCE NITROGEN FERTILIZERS, AND ITS DEVELOPMENT IN THIS SECTOR IS BASED ENTIRELY ON ISRAEL'S DOMESTIC REQUIREMENTS. IMPORT SUBSTITUTION IS ISRAEL GOAL. ISRAEL IS VULNERABLE TO PETROLEUM PRICE MOVEMENTS AND IS RELUCTANT TO COMMIT ITSELF TO BIG DEVELOPMENT PROGRAM BASED ON PETROLEUM.

3. GIVEN AVAILABILITY OF AMMONIA, ISRAEL'S NITROGEN FERTILIZER PLANTS ARE WORKING FLAT OUT, OFFICIAL OF ISRAEL CHEMICALS SAID. DOMESTIC DEMAND IN ISRAEL FOR UREA EXCEEDS SUPPLY, AND THIS IS MOTIVATING FACTOR. (SEE REF B FOR FERTILIZER INDUSTRY SURVEY).

4. DIRECTOR OF CHEMICALS AND FOOD DIVISION IN MINISTRY OF COMMERCE AND INDUSTRY HAS POINTED TO LARGE CAPITAL REQUIREMENTS FOR CONSTRUCTION OF CHEMICAL FERTILIZER PLANTS, TARGET DATES CITED ABOVE COULD BE BETTERED IF SOURCES OF FINANCING COULD BE FOUND. MANAGING DIRECTOR OF ISRAEL CHEMICALS LTD. TOLD US HE IS GOING TO UNITED STATES TOMORROW TO SEEK FINANCING (REF C; SEPTTEL TO FOLLOW).

5. AS RESULT OF OUR INVESTIGATIONS, WE DO NOT BELIEVE ISRAEL CAN DO MUCH TO ALLEVIATE NITROGEN FERTILIZER SHORTAGE DURING 1974. FOR LONGER TERM, ISRAEL IS HESITANT ABOUT PLACING ITSELF IN POSITION OF DEPENDENCE ON PETROLEUM SUPPLIES; AND WILL HAVE TO RAISE LARGE AMOUNTS OF CAPITAL FOR ITS DEVELOPMENT PLANTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, ECONOMIC CONDITIONS, FERTILIZERS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV02848
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740133-1045
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740513/aaaaakvt.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) STATE 95838; (B) TEL AVIV IS-401, 0, APRIL 8, 1974
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 04 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 NOV 2002 by boyleja>; APPROVED <08 JAN 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ISRAEL FERTILIZER SITUATION
TAGS: EAGR, EIND, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005